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SUBJECT: EU MEMBERSHIP SPURS LITHUANIAN LABOR FLIGHT

REF: VILNIUS 1493

[1](#)1. SUMMARY: Young Lithuanians have left their homeland en masse since the May 1 accession to the EU in search of employment abroad. The exact number leaving remains unclear, although as much as a quarter of the country's working-age population may leave by the end of the year. Some sectors have reported difficulties in hiring workers, although representatives from Lithuania's thriving construction sector argue that media talk of a labor shortage is overblown. The Lithuanian government and other economic analysts hope that increased labor outflows will in the end benefit the country's economy, trusting that those currently leaving will return to Lithuania with capital and business experience. For its part, the Lithuanian government appears willing to let the market run its course. The Labor Party, victorious in recent Parliamentary elections, promised in its campaign platform to address the problem, but it remains unclear whether it really has a plan. END SUMMARY.

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Lithuanian Labor Exodus  
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[1](#)2. Lithuania's emigration pattern shifted dramatically on May 1, when the country entered the European Union and its citizens gained the right to live and work legally in Great Britain and Ireland. A startling number of Lithuanians are leaving their Baltic homeland for dreams of a better life in the West. While the United States remains a destination of choice (reftel), about half of the new emigrees are heading for EU countries.

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How Many?  
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[1](#)3. The Ministry of Labor actively tracks Lithuania's labor outflow but keeps this data confidential at the highest levels of the Ministry. It is difficult to estimate the exact number of people leaving, as many retain their permanent address in Lithuania while working abroad illegally. According to a recent media survey, 28% of the population would like to leave Lithuania and go abroad. The Ministry of Labor told us it expects that as many as 360,000 workers, about one-quarter of the country's working-age population, will have departed Lithuania by the end of the year. According to government data, emigration increased by 64% in the first half of 2004 as compared to the same period in 2003 -- despite the fact that Lithuania continues to enjoy one of the highest economic growth rates in Europe. Some experts from the Ministry of Labor note that the large labor outflow following EU accession included traditional summer seasonal work, and they believe that the initial "wave" of emigration has come to an end. Recent data from the Lithuanian Labor Exchange (i.e., the state unemployment office), supports this theory, indicating that emigration decreased 14% from June to July after the initial May accession exodus. Figures from the British government also show that work applications from Lithuanians in the United Kingdom (Lithuanians' favorite EU destination) dropped 50% from the end of May high to the end of September.

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Economic Shock  
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[1](#)4. Rimantas Kairelis, State Secretary of the Ministry of Labor, described the current labor outflow as a shock to the Lithuanian economy. So far, however, the extent and character of that shock remains unclear. Wages, currently among the lowest of EU members, will undoubtedly rise. Lithuania's GDP per capita for 2003 (using Purchasing Power Parities to adjust for price level differences) stood at only 42% of the EU-15 average and 39% of the UK average. As of July 2004, Lithuania's minimum wage (PPP adjusted) was only 25.9% of the corresponding wage in the UK. Salaries are slowly increasing, while political leaders debate how quickly they can afford to raise the minimum wage.

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## Internationalization of Labor

15. Foreign workers who speak Russian and can therefore operate in the Lithuanian labor market will increasingly fill the gaps in sectors as diverse as textiles and medical services. Kairelis noted that, with many Lithuanians going abroad, the GOL would likely begin increasing quotas on foreign workers, most of whom are currently from Belarus and Ukraine. The Department of Migration confirmed greater demand for foreign workers in November, reporting that Lithuanian companies had submitted a significantly higher number of work permit applications since May 1.

### Economic Boon?

16. Many Lithuanian experts, while concerned about a shock, believe that increased labor mobility will strengthen the country's economy, assuming Lithuanians will send money back to Lithuania and eventually return to invest their savings in and apply their skills to the Lithuanian economy. Data from the Lithuanian Labor Exchange indicates that, during the first month following EU accession, 56% of those Lithuanians who found employment abroad had previously been on the unemployment rolls in Lithuania. Marius Grecius, from the EU Integration division of the Ministry of Labor, argues, "We believe that with increased temporary migration (which is predominant in our case), we experience more advantages than disadvantages: notably, workers return with new experience, we export unemployment, and money flows back to the economy in the form of remittances."

### Impact on Industry

#### Trucking

17. Lithuanian trucking companies have been particularly hard hit by labor outflows. The Lithuanian Trucking Association, Linava, reported in September a shortage of 3,000-4,000 truck drivers in Lithuania. Anatolijus Jakimovas, Linava spokesperson, noted that many Lithuanian trucking companies must now hire more foreign workers, especially from Russia.

#### Retail

18. Large retail stores, whose jobs are infamous for low wages and long hours, have also reported some difficulty in filling all positions. Media emphasis on a labor shortage has sometimes proven exaggerated, however. Inga Skisaker, general director of Rimi Lietuva, one of Lithuania's largest retail chains, said a month after EU accession that she knew of only one case of a Rimi employee quitting for work abroad.

#### Construction

19. Lithuania's construction sector, credited by many analysts with driving Lithuania's current economic growth, has not felt much of an impact. Ranga IV, a top-notch construction firm that has built many of Vilnius' largest buildings, reports that labor outflow has not significantly affected the company's business to date, although it has identified labor shortages as a possible obstacle to future business. Ranga IV's Dita Purliene told us that, while the company does not currently employ any foreign workers, Ranga IV is now considering hiring from Belarus and Ukraine in order to forestall a future labor shortage. Marius Sulcas, General Manager of Regina ir Co., a Vilnius-based construction company active throughout Lithuania and in some neighboring countries, described the labor flight issue as "more talk than a real problem." He said that the quality of life for a skilled laborer in Lithuania, primarily because of the low cost of living and proximity to family, often matches or even surpasses that of his/her counterpart in the United Kingdom, despite the difference in nominal salaries. Regina ir Co. has not witnessed a substantial increase in labor flight since May 1. Turnover among the firm's approximately 200 employees remains stable at around two to three per month.

### "No, Really, We'll Come Back..."

10. Although the impact on business remains unclear, a large outflow of labor could devastate tax revenues, place inflationary pressures on local labor markets, and have a

"brain drain" effect. Some analysts already list a shortage of skilled labor as a reason for a recent slowing of economic growth. Lithuania's hopes that the current labor outflow will benefit the economy, therefore, depend on the return of a large number of expats -- or at least their remittances.

¶11. Virtually all Lithuanians, however, claim that a majority of those leaving the country in search of employment will return after a short stay abroad. Even in Kelme, a depressed, rural town in western Lithuania being abandoned by its youth in startling numbers, community leaders told us that they strongly believed most young people would return home after a short stay in the capital or abroad.

¶12. Lithuania's students tell us that, while they would like to get some international work or study experience, they do not want to stay outside of Lithuania for more than one to three years. Most Lithuanians abroad are able to secure only unskilled labor positions, despite their generally high educational level. Educated, young Lithuanians note that they want to gain professional experience abroad, but will not be satisfied in the long term with menial positions, even at high wages. Giedre Vilkaite, a member of the Kaunas Technological University Student Council, explained, "We do not want to wash dishes for the rest of our lives." Strong nationalist feelings also restrain some Lithuanians from permanently leaving their 13-year-old republic. Asked if she would accompany her boyfriend, who had taken a job for a logistics company in England, 26-year-old Ona Klizaitė responded, "How could I disown my homeland?"

¶13. Although polling indicates that a majority of Lithuanians would like to work abroad, only nine percent of respondents claim they would like to leave Lithuania permanently. According to Monika Butkute, who is in charge of the EU's EURES employment database at the Vilnius Labor Exchange, many Lithuanians go to the Labor Exchange looking for work abroad simply to earn money for a big-ticket item, like a house or car. After meeting their savings' goal, they usually return home.

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... Or Will They?  
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¶14. Like so many Lithuanians before them, however, the plans of the latest wave of emigrants may change once they settle into new lives abroad. Some of those currently departing Lithuania, once they attain quality jobs and a new lifestyle, undoubtedly decide to permanently reside abroad. Asta Finch, a Lithuanian citizen who has been living in London for more than five years, provided us with a different perspective. Asta left Lithuania for economic reasons, and she has settled in with a good job at Harrods department store. Citing the dramatic difference in salaries in England and Lithuania, Asta rhetorically asked, "Why would anyone want to stay in Lithuania?"

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Government Not Sure How to Respond  
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¶15. Despite increased media attention since May 1 to labor flight, politicians largely ignore the issue. Rimantas Karelis, State Secretary from the Ministry of Labor, lamented that the GOL has not developed any real strategies or tactics to address the danger of labor flight. Having long championed EU accession, the GOL now finds itself a victim of its own success, with no plan to deal with the demographic consequences of joining one of the world's biggest economic forces. Politicians are only slowly realizing that they might have to take serious action to forestall a population crisis in their country of 3.5 million.

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Comment: An Issue for the Labor Party?  
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¶16. Lithuania's new Minister of Economy Viktor Uspaskich hopes to stop the brain drain by sending students to study overseas. Uspaskich's Labor Party ran to victory in October parliamentary elections on a platform that recommended state funding for Lithuanians who study abroad and then return home to work in critical industries. Uspaskich's own two children are studying in the United States. It remains unclear, however, whether such proposals would do anything to stop the powerful economic forces that underpin the latest wave of Lithuanian emigration.

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